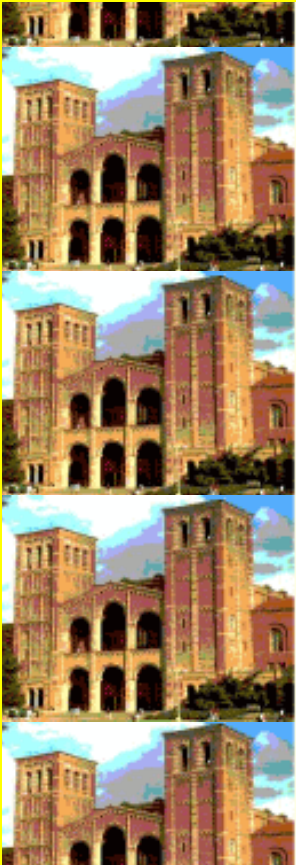


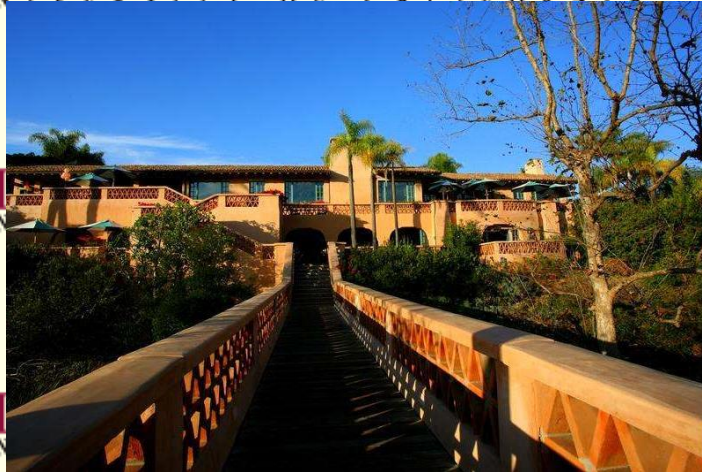


**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

# California's State Budget



**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES



**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

*November 2008*  
*Rancho Valencia: HARRT Retreat*



**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

# California's State Budget



**ND TABLE**  
OS ANGELES

**ND TABLE**  
OS ANGELES

**ND TABLE**  
OS ANGELES

**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

*November 2008*  
*Rancho Valencia: HARRT Retreat*



# HUMAN RESOURCES ROUND TABLE

UNIVERSITY OF CALIFORNIA, LOS ANGELES



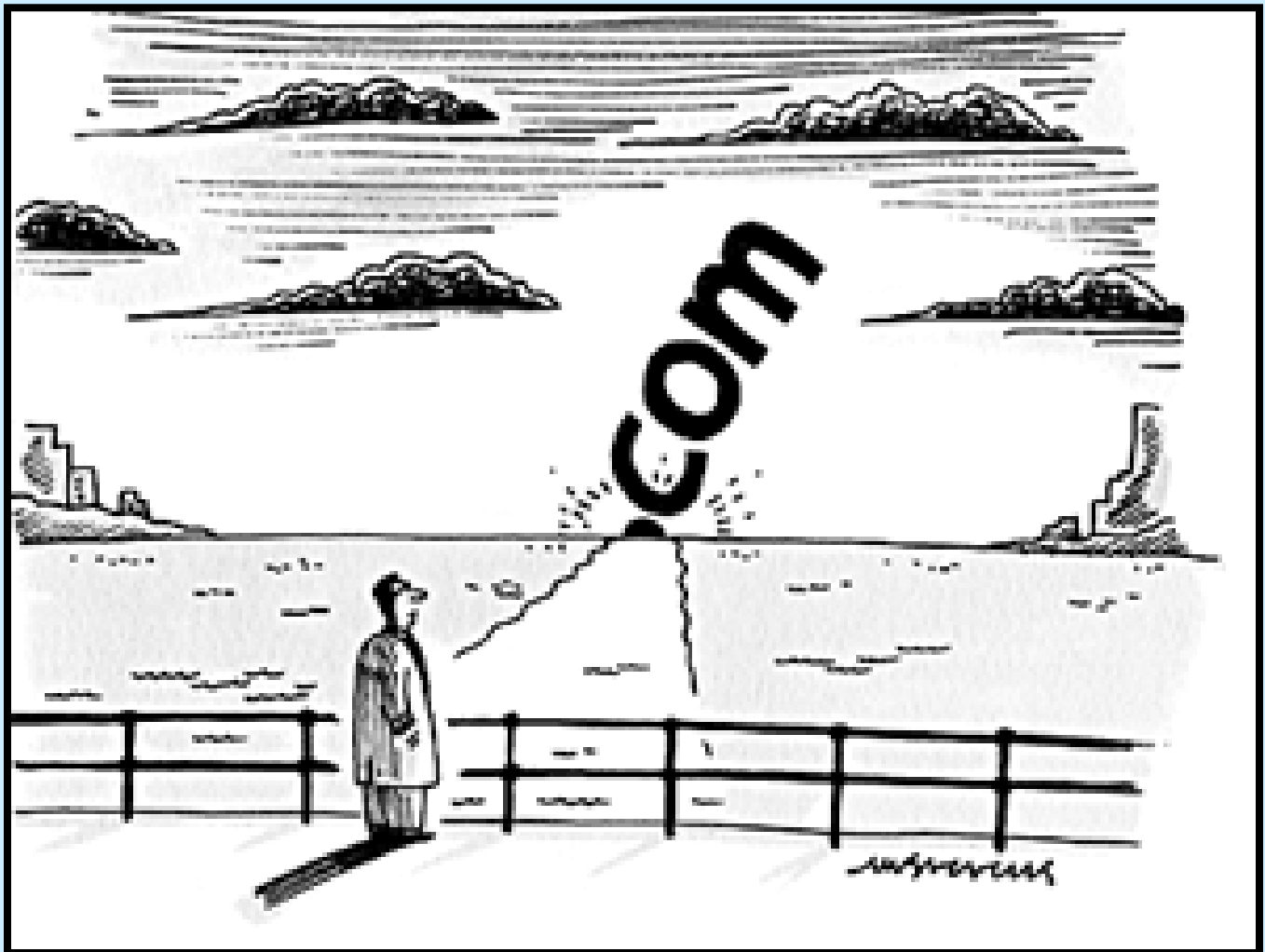
# HUMAN RESOURCES ROUND TABLE

UNIVERSITY OF CALIFORNIA, LOS ANGELES

HUMAN RESOURCES ROUND TABLE

*November 2008*  
*Rancho Valencia: HARRT Retreat*

# Or did we know?





# Or did we know?



supposed to be  
**Repetition is a teacher**



**But let's come back to the issue  
of surprise after asking  
another question...**



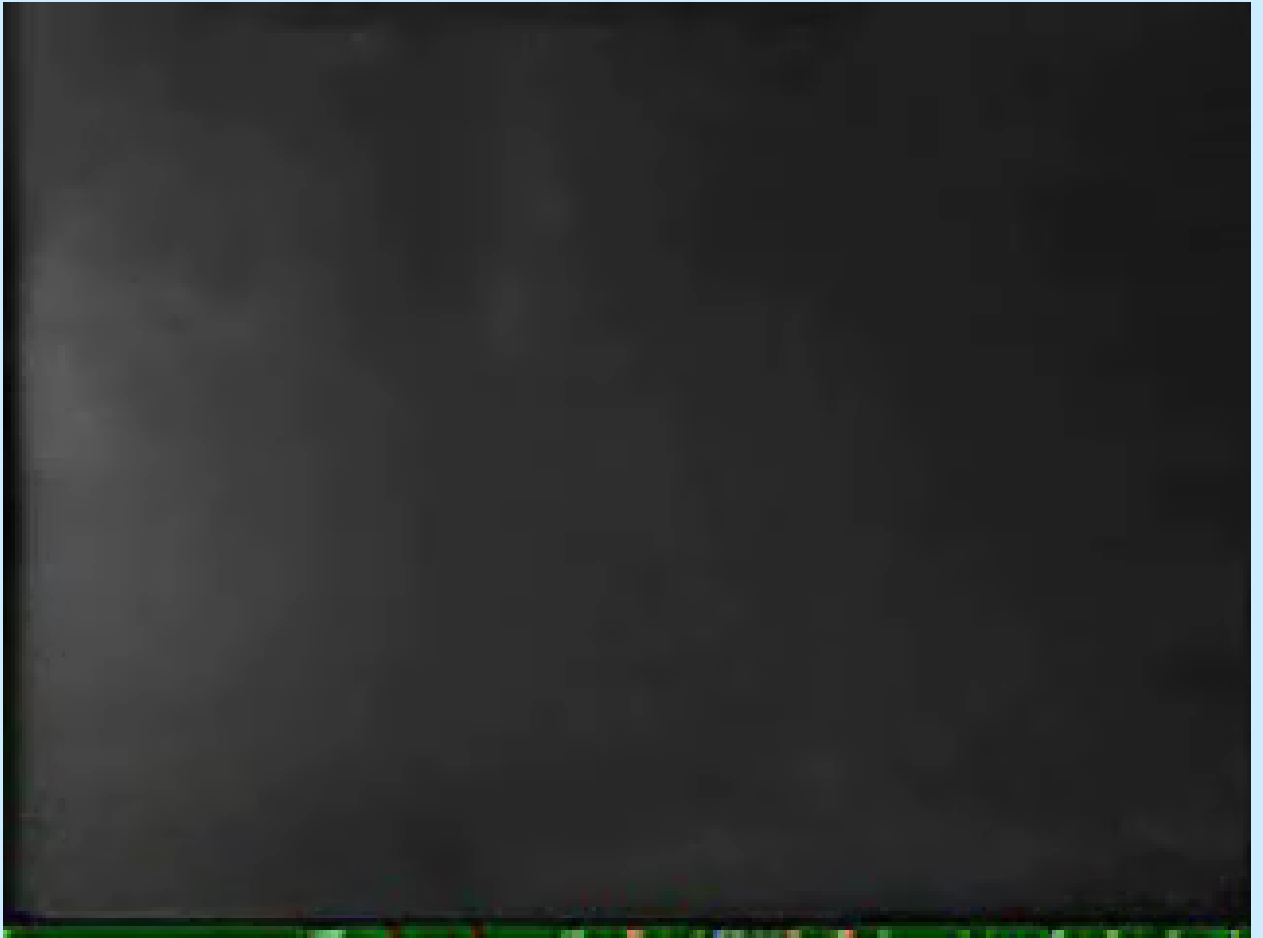
***What is a “deficit”?***

**August 2007**



***What is a “deficit”?***





*Does it just mean no money left  
to spend?*



# State Budget 101





# State Budget 101

## *Who are the players?*

### – Legislature

- 80 in Assembly
  - Speaker (Majority)
  - Minority Leader
- 40 in Senate
  - President Pro Tempore
  - Minority Leader
- Legislative Analyst

### – Governor

**Note: Governor + 4 Legislative Leaders = “Big Five”**

### – Treasurer

### – Controller •





# State Budget 101



**Assembly  
Speaker  
Karen Bass**



**Republican  
Assembly  
Leader  
Mike  
Villines**



Elizabeth Hill  
Legislative Analyst



**Senate  
President  
Don Perata**





# State Budget 101



**Governor Arnold  
Schwarzenegger**



**Controller  
John Chiang**





# State Budget 101

## – Governor Proposes Budget



- Signs or vetoes budget. Line item veto but...
  - Constitutional mandates especially Prop 98
  - Deals cut with legislative leaders

## – Treasurer



- Floats state securities with one exception
  - Bonds
  - Revenue Anticipation Notes

## – Controller



- Writes checks to providers, state employees, other levels of govt.
- Floats Revenue Anticipation Warrants if there is no budget or loan must cross between fiscal years



# State Budget 101

## *Constraints on the players*



- Depression-era 2/3 rule for passing budgets
- Prop 13 rule: 2/3 for increasing taxes (as opposed to “fees”)
- Voter initiatives requiring spending by formula, e.g.,
  - *Prop 98 (K-14 education)*
  - *Prop 49 (After-school activities)*
- Term Limits





# State Budget 101

## *Constraints on the players*

**Increased skill of interest groups in putting pressure on legislature**





# State Budget 101

## *Transparency*

- On the web?
- Promote understanding?







# State Budget 101

## *Transparency*

- On the web? (Grade A)
  - Promote understanding?
- Depends on definitions**

California Home Department of Finance Governor's Web Site Department Index Site Map Help Thursday, October 23, 2008

Welcome to California's

## GOVERNOR'S BUDGET 2008-09

Enacted Budget Summary

**Home**

Enacted Budget Summary

Summary Charts  
Revenue Estimates  
Major Program Areas

**Enacted Budget Detail**

K thru 12 Education  
Higher Education  
Health and Human Services  
Corrections and Rehabilitation  
Business, Transportation & Housing Resources  
Environmental Protection  
State and Consumer Services  
Labor and Workforce Development  
General Government  
Legislative, Judicial, and Executive

**Budget References**

**eBudget Search**



We want to know what you think!  
Please send an e-mail with questions, comments, and/or concerns regarding this website to:  
[ebudgetwebmaster@dof.ca.gov](mailto:ebudgetwebmaster@dof.ca.gov)

**Enacted Budget Summary**

The Enacted Budget Summary reflects the state spending plan passed by the Legislature and signed by the Governor. The Enacted Budget Summary provides [Summary Charts](#), [Revenue Estimates](#), Enacted Budget Summary information for selected [Major Program Areas](#), and veto messages.

[Budget Overview](#)  
[Printable Budget Documents](#)

 To access the entire Enacted Budget Summary document (including veto messages) in a printable format (pdf), click here:  
[Enacted Budget Summary - All Chapters](#) (pdf \* - 1052K)

**BUDGET OVERVIEW** [Back to Top](#)  
[Introduction](#)

The 2008 Budget Act resolves the \$24.3 billion budget deficit identified in the May Revision. It provides a modest reserve of \$1.7 billion this year, but projects a deficit of \$1.0 billion in 2009-10. While this budget does not resolve the state's persistent structural budget deficit, it includes a historic budget reform measure that puts California on the path to fiscal stability and avoids borrowing from local governments or transportation funds.

 Go to the [Enacted Budget Detail](#) web pages.

**PRINTABLE BUDGET DOCUMENTS** [Back to Top](#)  
[Enacted Budget Summary - All Chapters](#) (pdf \* - 1052K) -  
Provides the entire Enacted Budget Summary in pdf format. Veto messages are included at the end of this printable document.

[Back to Top of Page](#)

 **Adobe Reader** pdf\* This file requires the latest Adobe Acrobat reader plugin. If you do not have it - [click here](#) to download.

© 2008 State of California. [Conditions of Use](#) [Privacy Policy](#)





# State Budget 101

## *Transparency*

### Promote understanding? Depends on definitions

- Budget Definitions from Dept. of Finance and Legislative Analyst's Office
- Cash Statement Definitions from Controller Especially with Regard to “Borrowable Resources”

Californ  
Home  
Enacted  
Summar  
Revenue  
Major Pr  
Enacted  
K thru 12  
Higher E  
Health a  
Correcti  
Business  
Resourc  
Environ  
State an  
Labor an  
General  
Legislati  
Budget

#### eBudget Search



We want to know what you think!  
Please send an e-mail with questions,  
comments, and/or concerns regarding  
this website to:

[ebudgetwebmaster@dof.ca.gov](mailto:ebudgetwebmaster@dof.ca.gov)

#### BUDGET OVERVIEW [Back to Top](#)

##### [Introduction](#)

The 2008 Budget Act resolves the \$24.3 billion budget deficit identified in the May Revision. It provides a modest reserve of \$1.7 billion this year, but projects a deficit of \$1.0 billion in 2009-10. While this budget does not resolve the state's persistent structural budget deficit, it includes a historic budget reform measure that puts California on the path to fiscal stability and avoids borrowing from local governments or transportation funds.



Go to the [Enacted Budget Detail](#) web pages.

#### PRINTABLE BUDGET DOCUMENTS [Back to Top](#)

##### [Enacted Budget Summary - All Chapters](#) (pdf \* - 1052K) -

Provides the entire Enacted Budget Summary in pdf format. Veto messages are included at the end of this printable document.

[Back to Top of Page](#)



pdf\* This file requires the latest Adobe Acrobat reader plugin. If you do not have it - [click here](#) to download.

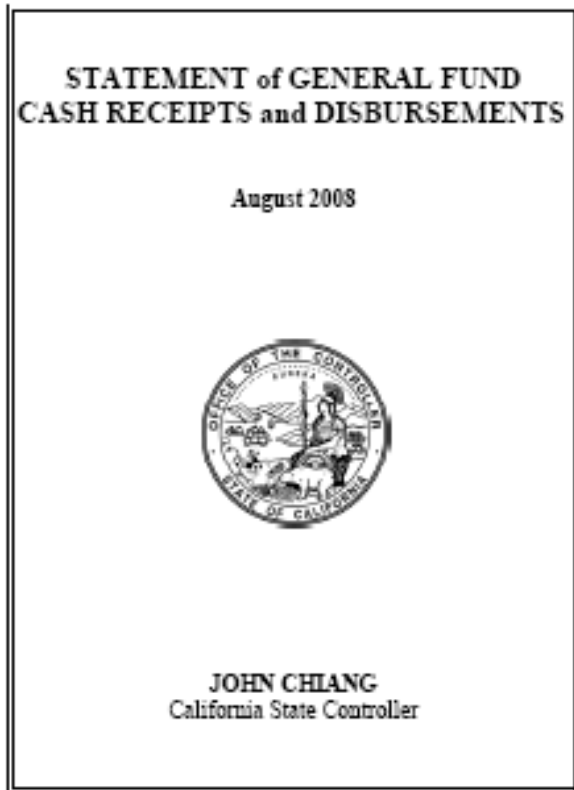
# **Lots of Other Funds Besides the General Fund:**

## *Examples*

- **Film California First Fund**
- **Bicycle Transportation Account**
- **Abandoned Watercraft Abatement Account**
- **Bureau of Thermal Insulation and Home Furnishings Fund**
- **California Collegiate License Plate Fund**



# Borrowable Resources



***Footnote (g) Additional funds of \$492 million were identified as borrowable and are included in the actual Available Borrowable Resources.***

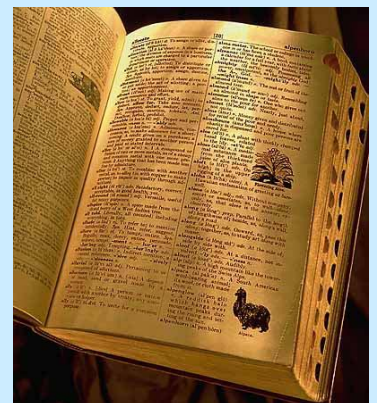
**<http://www.sco.ca.gov/ard/cash/0809/aug.pdf>**



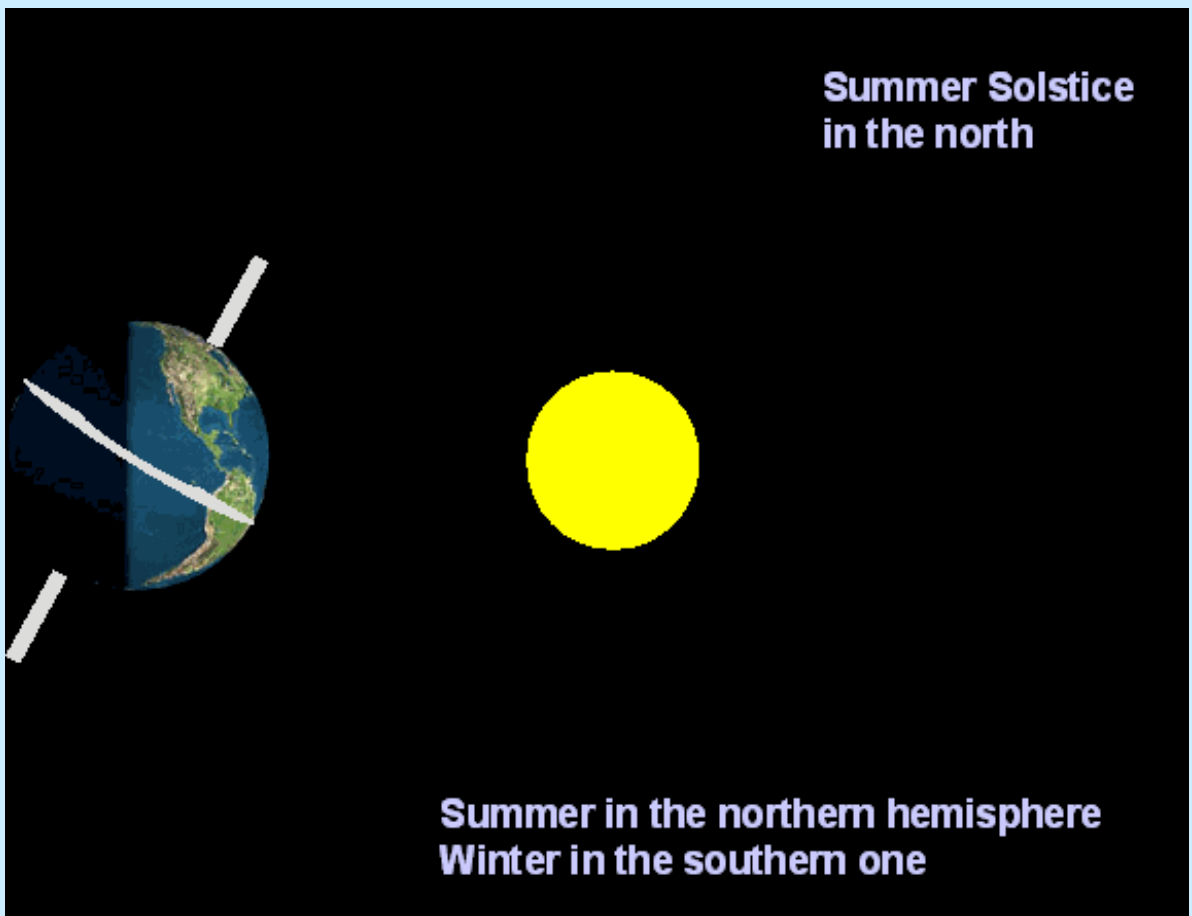
**“Deficit” should mean  
income less than  
expenditure (a flow concept)**

- *Income = taxes, fees, receipts from feds, interest earned on state funds, etc.*
- *Expenditure = state purchases (including wages), grants to other governments, transfers to individuals, debt service on state debt, etc.*
- *Usually, we refer to the “general fund” when we talk of the state budget deficit or surplus.*

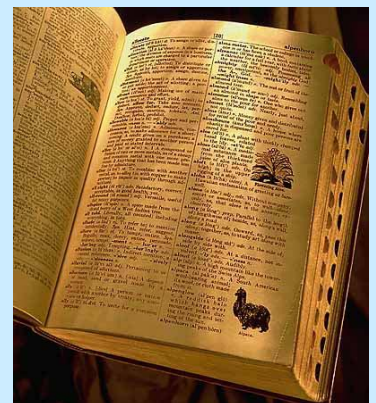
**GF = 75-80% of total budget**



**“Deficit” should mean  
income less than  
expenditure...**



**...during one year**





## Sin #1



*The term deficit in California-speak is often a confusing multiyear mix of stock and flow*

- **Past accumulated deficits in general fund (stock) plus**
- **Estimated current year's deficit (flow) plus**
- **Next year's deficit if we don't do anything (flow)**

## Sin #2



*Moreover, borrowing and sales of assets are treated as revenue, often under the heading “revenue and transfers”*

## Sin #3



*Terms such as “shortfall,” “gap,” and “hole” - which have no definition at all - are often used to describe the budget, both by officials and the news media*

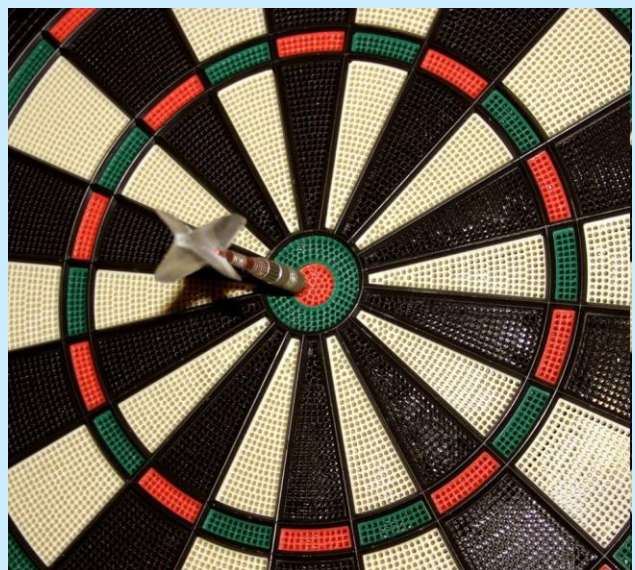


# State Budget 101

## Transparency vs. Accuracy



**Budgets are  
projections,  
especially of  
revenue**

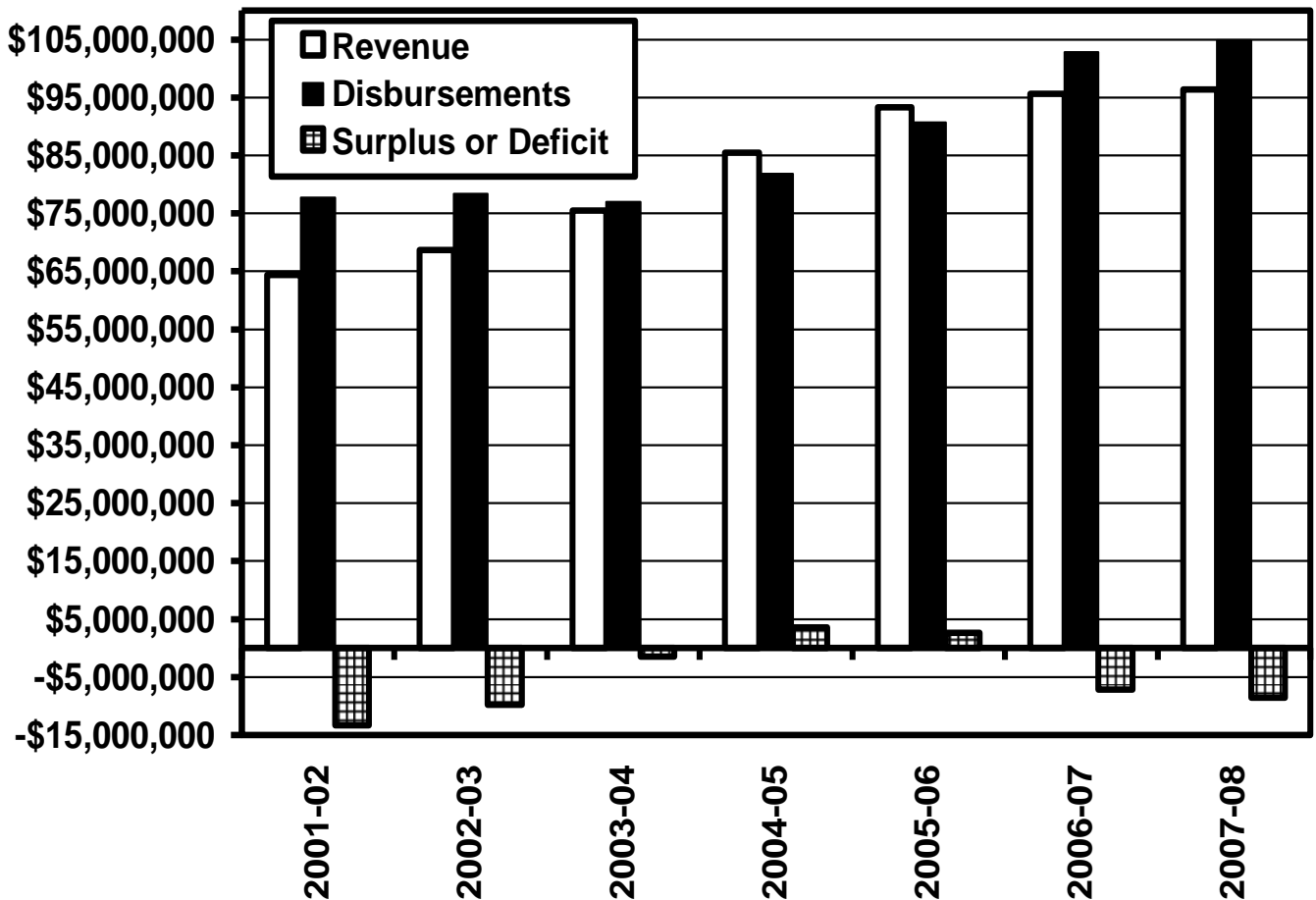




# State Budget 101

## *Looking Backwards*

Adjusted Cash Statement (\$000)





*Is the current budget crisis  
an unpleasant surprise?*



**Two scenarios**



**Did the budget problem  
just creep up when no  
one was looking?**



**Bird Scenario**



**Or did we really know  
what was happening?**



***Casablanca  
Scenario***



# Or did we really know what was happening?





**March 26, 2007**



**When you are at the  
peak, you can't fall up**





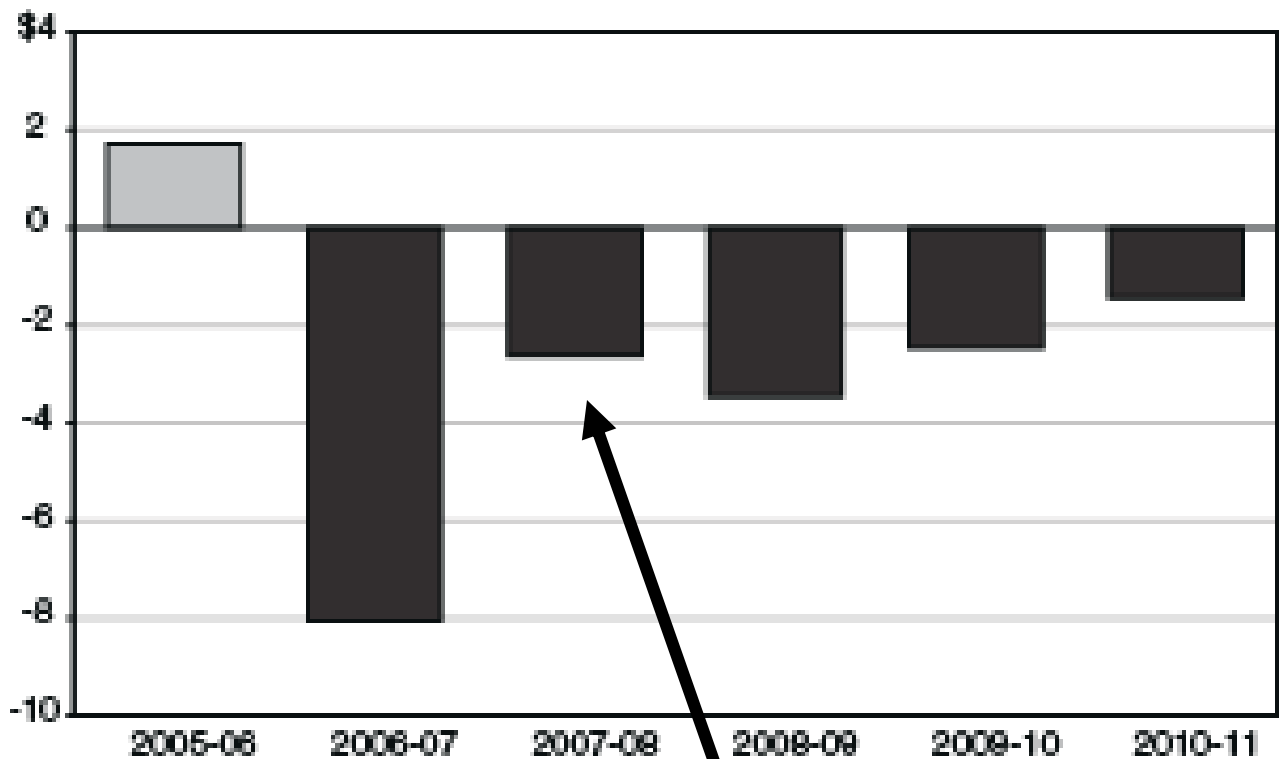
# LAO Projections as of mid-Feb. 2007



## Deficits

### Significant Operating Shortfalls<sup>a</sup> Would Remain

General Fund (In Billions)



<sup>a</sup>Annual revenues minus expenditures. Legislative Analyst's Office estimate of Governor's revenue and expenditure policies.

**-\$2+ billion**

## Groping for a Solution



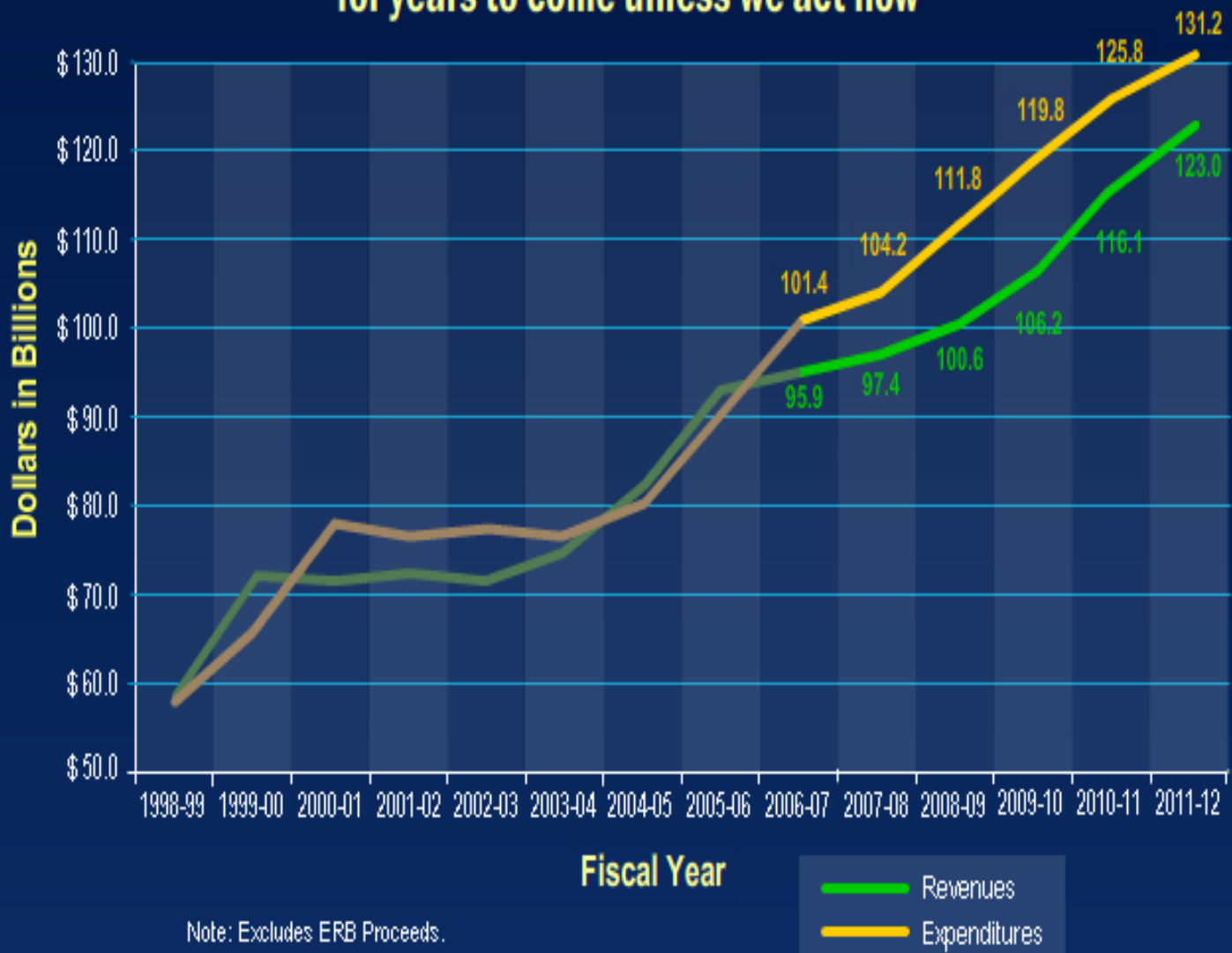
**Long-term solution proposed by governor  
along with his January 2008 budget message:**

# Rainy Day Fund



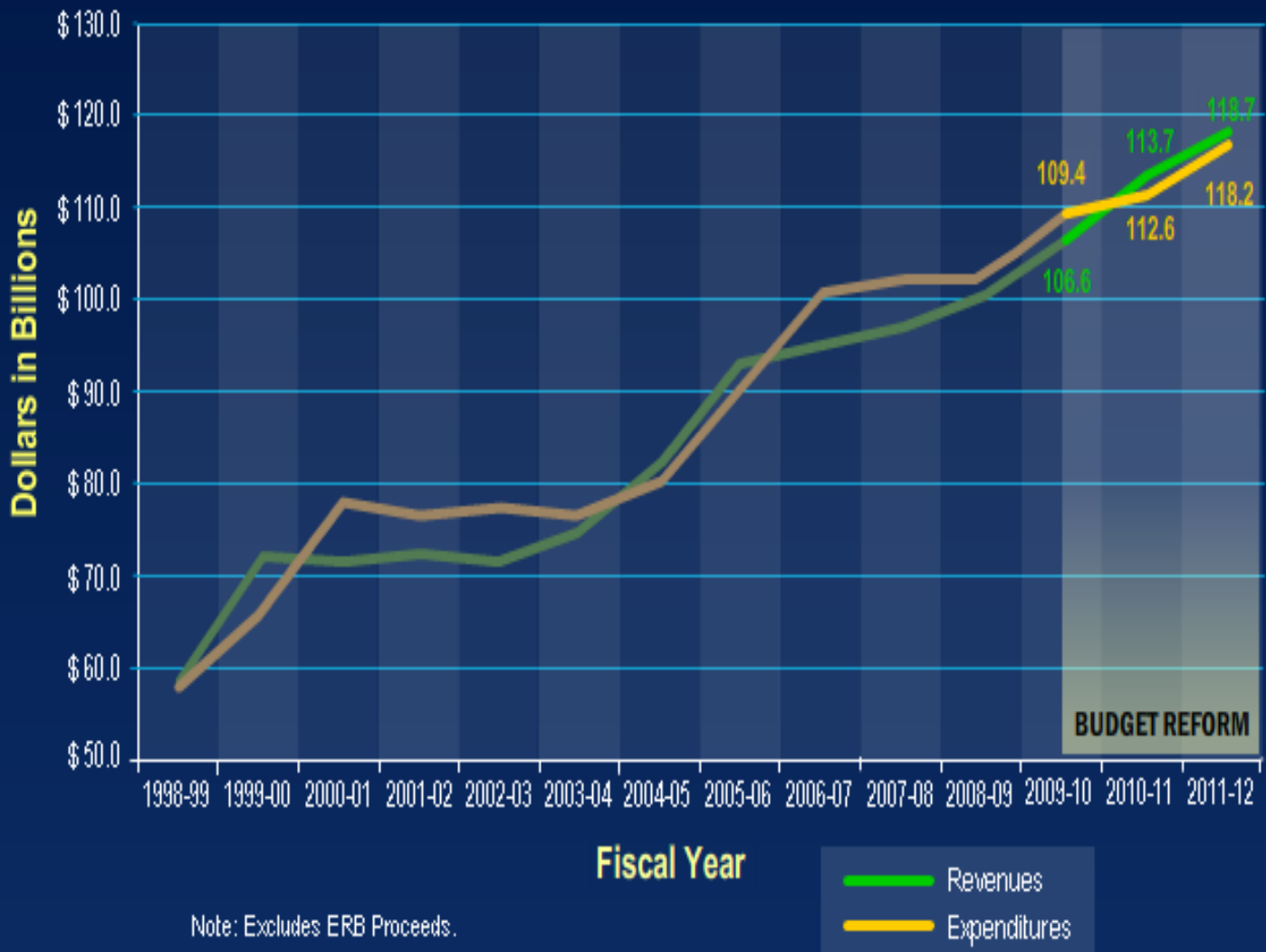
# Structural problem as seen by governor

**PROBLEM:** California faces deficits for years to come unless we act now



# Solution as seen by governor

**SOLUTION:** Budget Reform eliminates  
projected deficits in the future



# **Problem #1:**



**You can only accumulate a rainy day fund when the Sun is shining. What we could have done in the past doesn't fix today's problem.**

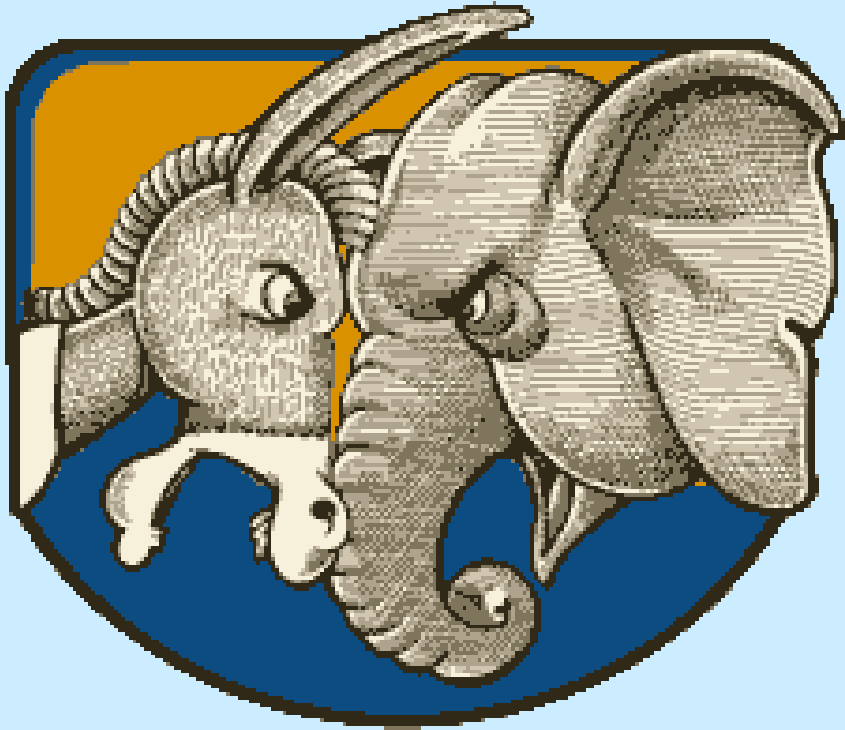


# Problem #2:



**The governor didn't put a rainy day fund on the November 2008 ballot. Instead he put redistricting on the ballot (Prop 11) to take place after the 2010 Census.**

# Problem #3:



**Given the  $\frac{2}{3}$  vote requirements, it is unclear if redistricting would make budgeting easier or harder.**

# Problem #4:



**The rainy day fund the governor would like to mandate (about 12% of the GF) is roughly what Gray Davis had at the dot-com peak.**

# Post-Election Special Session on Budget



**Will there will be a better  
atmosphere for  
compromise than last  
summer?**

# **Post-Election Special Session on Budget**



**Repeat of last summer's  
chicken race?**



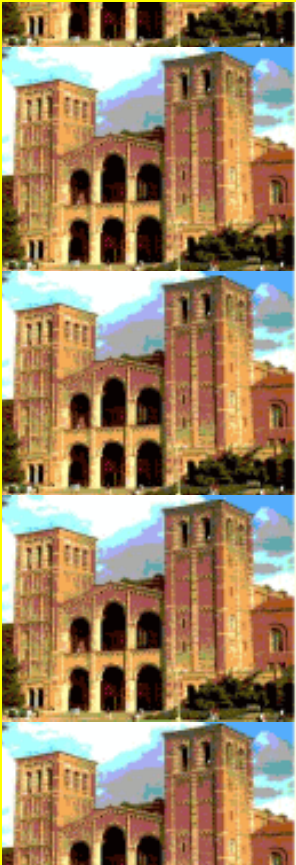
# The Short-Run Solution?



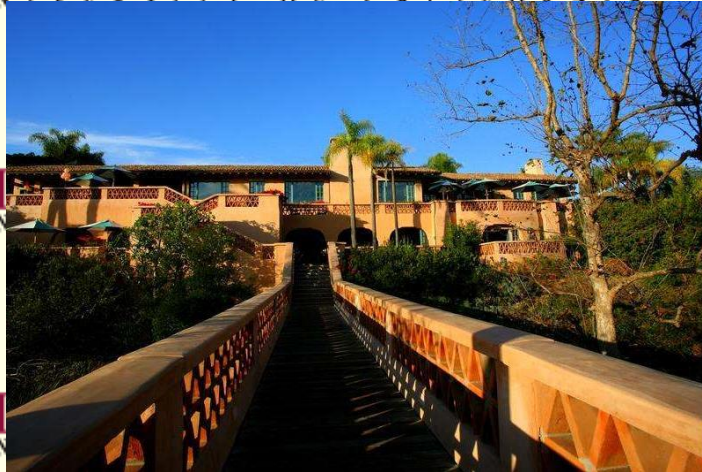


**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

# California's State Budget



**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES



**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

**HUMAN RESOURCES ROUND TABLE**  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

*November 2008*  
*Rancho Valencia: HARRT Retreat*